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Revised budget estimates for the biennium 2002-2003, budget estimates for the biennium 2004-2005, and report on the level of the operational reserve

Report of the Executive Director

Summary

The present document contains revised budget estimates for the biennium 2002-2003 and budget estimates for the biennium 2004-2005 for the United Nations Office for Project Services (UNOPS). The document has been reviewed by the Management Coordination Committee and by the Advisory Committee on Administrative and Budgetary Questions.

In response to the income shortfalls and operational deficits faced by UNOPS during the biennium 2000-2001, in 2002 UNOPS implemented a significant organizational re-dimensioning exercise that led to drastic revisions of its projected delivery, income and administrative expenditures. At the second regular session 2001 of the Executive Board, the business projections indicated in document DP/2001/28 – report of the Executive Director on the UNOPS revised budget estimates for the biennium 2000-2001, budget estimates for the biennium 2002-2003, and report on the level of the operational reserve – originally approved by the Executive Board for the biennium 2002-2003 in its decision 2001/14, were adjusted downwards. The biennium project delivery estimates was decreased from $1 264.02 million to $1 016.2, with total income and administrative expenditure estimates decreasing from $116.2 million and $113.0 million to $89.0 million and $87.9 million, respectively. This led to reductions of the estimates for the operational reserve carried forward at the end of the biennium from $15.2 million to $4.1 million.

As a result of these measures, UNOPS succeeded in 2002 to reverse the negative business trends of the previous biennium. The year ended with UNOPS meeting its self-financing principle. The measures instituted in 2002 are being consolidated and reinforced in 2003 to ensure that the turn around is sustained. The 2003 business planning is based on equally prudent delivery and income estimates. In addition, management action is focused on supporting diligent implementation and stringent monthly monitoring of business variables. The 2002-2003 revised budget estimates presented in this document are based on actual results achieved in 2002,

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and the 2003 estimates submitted to the Executive Board at its annual session 2003 in document DP/2003/18 – the report of the Executive Director, a.i., on UNOPS year-end figures for 2002 and projected income, expenditure and level of the operational reserve for 2003 (as of 1 April 2003).

In recent years, UNOPS has been experiencing formidable challenges in its business environment. Significant changes are occurring in the composition of its client base and the services that it is requested to provide. In 2002, business acquisition and the subsequent build up of its project portfolio did not keep up with levels reported in previous years. While business acquisition from its main client has continued to decline, unlike previous years, in 2002 it was not matched with offsetting increases in business from new clients. Additional challenges emanate from the increasingly shorter duration of the new business acquisition as well as from the political and economic problems occurring in some of the countries where UNOPS has major operations. The latter has led to sizeable reductions of project budgets planned for delivery. On the other hand, negotiations with regard to several important new projects are sufficiently advanced to expect formal approval and inclusion in the UNOPS portfolio during the second half of 2003. At this point in time, it seems prudent for the biennium 2004-2005 to project the same level of project delivery, income and expenditures as that estimated for the current biennium. It is expected that these projections will be updated at the latest at the first regular session of the Executive Board in January 2004, which would also make it possible to account for any relevant recommendations from the independent review and the new Executive Director of UNOPS.

Elements of a decision

The Executive Board may wish to: (a) take note of the report of the Executive Director on the revised budget estimates for the biennium 2002-2003, budget estimates for the biennium 2004-2005, and report on the level of the operational reserve (DP/2003/38), and of the report of the Advisory Committee on Administrative and Budgetary Questions on UNOPS biennial budget estimates 2004-2005 (DP/2003/39) thereon; (b) approve the revised budget estimates for the biennium 2002-2003 in the amount of $90.7 million; (c) approve the budget estimates for the biennium 2004-2005 in the amount of $87.0 million; (d) and approve the staffing level as proposed for the biennium 2002-2003.

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Introduction

1. The present document contains the revised budget estimates for the biennium 2002-2003 and the budget estimates for the biennium 2004-2005 for the United Nations Office for Project Services (UNOPS). They are submitted in accordance with Executive Board decision 94/32 of 10 October 1994. In accordance with Board decision 99/16, the present document also includes a review of the level of the UNOPS operational reserve.

2. Pursuant to UNOPS financial regulations, the present budget estimates are submitted through the Management Coordination Committee (MCC). This document has also been reviewed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ).

3. After a drastic downward revision of its initial budget estimates, in 2002 UNOPS achieved 96 per cent of its project delivery target and 99 per cent of its total income target, while keeping its administrative expenditures 1 per cent below the approved budget. This enabled it to adhere to its self-financing principle by not only covering total administrative expenditures from income but also contributing a small but symbolic contribution of $0.2 million to the operational reserve. The level of the operational reserve, carried forward at the end of 2002, stood at $4.2 million, which is $0.9 million or 27 per cent above the $3.3 million projected in the revised 2002 budget approved by the Executive Board in its decision 2002/21 of 27 September 2002.

4. The exceptional financial situation confronting UNOPS in the last few years and the instability in its business environment has in recent years required more frequent adjustments to its budget. These changes – in addition to the wish of the Executive Board to be kept regularly informed of the results of the management measures undertaken by UNOPS to align income and costs – have also led to Executive Board decisions (2002/13, 2002/21 and 2003/3) requiring UNOPS to submit more frequent updates on the implementation of its revised budgets. Such reports were submitted to the Executive Board at its annual session 2002 (DP/2002/CRP.10 – dated 17 June 2002); at its first regular session 2003 (DP/2003/CRP.3 – dated 20 November 2002 – and the information paper updating DP/2003/CRP.3); and at its annual session 2003 (DP/2003/18 – dated 7 April 2003).

I. Revised projections of income and estimated budget expenditures for the biennium 2002-2003

5. The revised estimates for the biennium 2002-2003 (see table 1) are based on actual delivery, income and expenditure for 2002, as contained in the annual report of the Executive Director on the activities of UNOPS (DP/2003/19) and on projections for 2003 as already submitted in the report of the Executive Director, a.i., on UNOPS year-end figures for 2002 and projected income, expenditure and level of the operational reserve for 2003 (DP/2003/18). For comparative purpose, the present 2002-2003 revised estimates are analysed in relation to the original biennium estimates submitted to the Executive Board at its second regular session

2001 in document DP/2001/28 and the subsequent revised estimates submitted to the Board at its second regular session 2002 in document DP/2002/33.

6. The total project portfolio, which includes multi-year funds entrusted to UNOPS by or through United Nations organizations, amounted to $1.0 billion in mid-2003 down from $1.5 billion in mid-May of 2001. Under the UNOPS 'services only' portfolio, which consists mainly of loan projects funded by the International Fund for Agricultural Development (IFAD), UNOPS provides a fee-based project supervision and loan administration services. This portfolio amounted to $2.4 billion as of mid-2003, comparable to levels of previous years. In addition, UNOPS is providing limited similar fee-based consulting and advisory services to a range of United Nations clients and more recently the Global Fund to Fights AIDS, Tuberculosis and Malaria (Global Fund).

7. In February 2003, UNOPS joined UNDP and UNFPA as a full development partner in the implementation of the Enterprise Resource Planning (ERP) system. ERP will provide a 'best practice' information management system in finance, project management, procurement and human resources. The ERP system will lead to more effective project management, improved information and data sharing, and enhanced financial reporting, and will enable its access from anywhere in the world with Internet connection. The decision was also motivated by the growing number of UNOPS clients adopting PeopleSoft ERP systems – such as UNDP, UNFPA, IFAD, the International Monetary Fund (IMF), the United Nations Capital Development Fund (UNCDF), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Development Fund for Women (UNIFEM), the United Nations Office on Drugs and Crime (UNODC), United Nations Volunteers (UNV) and the World Intellectual Property Organization (WIPO) – and the one-time opportunity to implement the system with lower costs by joining UNDP and UNFPA. ERP also offers UNOPS an opportunity to re-engineer its business processes and take maximum advantage of the modern business-based functionality of the ERP system.

A. Delivery

8. The biennium 2002-2003 delivery estimate is revised to $969.5 million based on actual 2002 recorded delivery of $485.1 million and revised 2003 estimates of $484.4 million. As shown in table 1, this is $294.5 million or 23.3 per cent lower than the delivery level originally approved by the Executive Board in its decision 2001/14 of 13 September 2001, and $46.7 million or 4.6 per cent below the estimates approved by the Board in its decision 2002/21 of 27 September 2002. In 2002, UNOPS introduced a rigorous delivery forecasting methodology, which, coupled with strong project implementation, led to the near achievement of the annual delivery target. Procedures to project and monitor deliveries and income have been further improved in 2003.

B. Income

9. The biennium total income – which was originally projected in document DP/2001/28 at $116.2 million, revised to $87.9 million in document DP/2002/33 and approved by the Executive Board in its decision 2002/21 – is now estimated to amount $88.2 million. This new estimate is based on recorded income of $43.7 million in 2002 and revised estimates of $44.5 million for 2003. The new estimates reflect a decrease of $27.9 million, or 24 per cent, compared to the originally projected income. An overview of the different income projections for 2002-2003 is provided in table 1. Further analysis of the details of the income components is given in paragraph 10 through 14.

Income from implementation of the project portfolio

10. Project delivery in 2002 generated a total income of $35.4 million. The revised 2003 project delivery income estimate amounts to $35.3 million, resulting in revised 2002-2003 estimates of $70.7 million, $26.6 million or 27.3 per cent below the original estimate and $1.1 million below the September 2002 revised estimates of $71.8 million, as mentioned in paragraph 9 above. The ongoing monthly review of delivery and income show that total 2003 delivery and income, as of end May, are ahead of targets approved in document DP/2003/18 and indicate good prospects to exceed the annual targets.

11. The revised 2002-2003 project delivery and income estimates reflect a projected income rate of 7.3 per cent, which is below the 7.65 per cent actual income rate achieved during the 2000-2001 biennium. If the previous biennium income rate was applicable to the 2002-2003 delivery estimates of $969.5 million, it would have generated an additional income of $3.47 million making a significant difference to the tight financial situation facing UNOPS. The anticipated decrease in the income rate reflects the growing pressure continuously exerted by UNOPS clients for lower management fees. While part of the pressure is a result of the overall tightening of the availability of development and related financial resources to United Nations entities, it is also a result of requests from clients for the reduction of UNOPS fees without corresponding decreases in requested services, and hence costs.

Income from 'services only' portfolios

12. UNOPS continues to look at financially viable opportunities that would broaden its service offerings and its income source. In the 'services only' segment of its market, in line with its long record of successful project supervision and loan administration services that it is providing to IFAD, it is offering similar management advisory and consulting services to other clients. Based on 2002 'services only' actual income received of $6.9 million and revised estimates of $8.2 million for 2003, the revised biennium 2002-2003 income is estimated to be $15.1 million. This is $0.9 million or 6 per cent below the original estimates and $0.4 million or 3 per cent above the September 2002 revised estimates contained in document DP/2002/33. The increase in estimated 2003 service income is primarily a

result of the services that UNOPS has started to provide to the Global Fund where UNOPS has so far been selected as the its Local Fund Agent (LFA) in China, Timor-Leste, India, Mongolia, and Serbia and Montenegro.

13. In addition, UNOPS continues to provide a 'services only' procurement services, primarily in Peru under a UNDP project, where specialized services are provided to government entities in sourcing of suppliers, bid invitation, bid evaluation and contract award recommendations, while leaving contract signature and administration under the responsibility of the client. This service, for which UNOPS earned an income of $0.27 million, besides ensuring transparency of the tendering and contracting process and often generating notable price savings, also contributes to capacity building of the assisted governmental entities. During 2002, six tenders were awarded, with a total aggregate value of $ 71.0 million, for which the different government agencies signed 11 contract awards.

Other income

14. UNOPS total income also includes modest interest income, proceeds from the rent of part of its headquarter premises as well as income for services in the area of accounting and other ad hoc miscellaneous services, which during the biennium 2002-2003 is estimated to yield $2.4 million.

C. Expenditures

15. The 2002-2003 total expenditures estimates are revised to $90.7 million, $22.3 million or 19.7 per cent less than what was originally approved in document DP/2001/28, but $2.79 million or 3.2 per cent more than the last revised estimate of September 2002 (table 1) as contained in document DP/2002/33. The 2002 actual total expenditures amounted to $45.2 million, which included $1.1 million (of the $1.4 million) authorized separation costs and a $0.6 million provision for doubtful account – both chargeable to the operational reserve. The revised 2003 expenditures are estimated at $45.5 million, which includes the remaining $0.3 million authorized separation costs and a one-time $0.7 million provision to cover costs for hardware acquisition (out of a total 2003 costs of $1.7 million) related to the new ERP system (described further in paragraph 7) that is due to start replacing the Integrated Management Information System (IMIS) in 2004.

Staffing resources

16. As in the past, the major portion of the recurring administrative budget is allocated to staff and related costs amounting to 63.5 per cent of the total. For the biennium 2002-2003, the total costs of salaries, common staff costs, temporary assistance and staff recruited under the activities of limited duration (ALD) contract are estimated to be $55.9 million. This is based on the actual 2002 expenditures of $28.1 million and 2003 estimates of $27.8 million. The new estimates are $11.6 million or 17.2 per cent less than what was originally approved by the Board

in its decision 2001/14 of 13 September 2001 and $0.69 million or 1.2 per cent more than the last approved estimates of $55.2 million in decision 2002/21 of 27 September 2002 (table 2). It should be noted that despite the UNOPS decision to keep the 2003 staffing essentially at the same level as at its was at the end of 2002, the salary increases approved by the United Nations General Assembly, coupled with the cost-increasing effects of the depreciation of the United States dollar against some major currencies, has led to $3.2 million (14 per cent) additional costs for the same level of staffing.

17. During 2002, a total of 89 staff (26 per cent of the total) left UNOPS. Thirty-nine staff left or were separated as a result of the 2002 budget reduction exercise while the remaining 50 left as a result of attrition. Table 3 reflects these staff reductions in addition to changes resulting from net abolishment of posts since the last staffing update was provided to the Executive Board at its annual session 2002 in the ad hoc submission of revised budget estimates for the year 2002 (DP/2002/CRP.10). As of 1 June 2003, UNOPS has a total of 311.5 approved posts, of which 281.5 are funded under the administrative budget, while 30 are project-specific and time-bound posts funded from project fees. Of the total number of posts, 286 are currently filled while the 25.5, shown as vacant, are a combination of frozen posts due to budgetary reasons and posts occupied by non-staff personnel (e.g. temporary assistants). As was further reported in document DP/2003/19, following the 2002 budget reduction exercise, UNOPS implemented the required staff reductions professionally and in full conformity with United Nations Staff Rules and Regulations. However, the relatively lengthy period needed to carry out the staff reduction decision – so as to ensure that complete due process was strictly followed – was a challenge for both staff and management. This resulted from the fact that UNOPS had to continue providing agreed services without interruption while at the same time carrying out the staff reduction exercise, thereby ensuring that the income base of the organization was not further eroded. While the human-resource–related lessons that UNOPS has drawn from the implementation of the 2002 budget reduction exercise have been reported in document DP/2003/19, it is important to re-emphasise the need for UNOPS to have flexible contracting instruments that readily respond to adjustments in staffing requirements.

Other expenditures

18. The 2002-2003 estimated expenditures on consultants amounts to $3.3 million, down from the originally approved amount of $5.4 million but slightly higher than the last estimated amount of $3.0 million. The $0.3 million modest increase is primarily a result of consultancy requirements for the new ERP system. While the budget reduction led to significant curtailing of training costs in 2002 to only $0.13 million, it is projected to increase to $0.24 million in 2003 to address critical training requirements related to the implementation of the ERP.

19. Staff travel costs, which are projected at $2.5 million for the 2002-2003 biennium, are $1.9 million or 43 per cent less than what was originally approved by the Executive Board in decision 2001/14 but slightly (1 per cent) higher than the estimates of $2.1 million approved in decision 2002/21.

20. Total contract costs and system development contracts, estimated at $1.2 million, are $1.8 million or 59.3 per cent less than the approved 2001 level (decision 2001/14) and $0.17 million or 12.0 per cent less than the estimates approved in decision 2002/21. These cost reductions are the result of the decision taken during the 2002 budget reduction exercise to limit, to the extent possible, objects of expenditure that do not directly support delivery.

21. Rental and maintenance of premises of $9.4 million are comparable to estimates submitted to the Executive Board at both its second regular sessions 2001 and 2002. As a result of the staff reduction, UNOPS is sub-leasing part of its headquarters premises to a number of different United Nations organizations. Based on existing commitments, an estimated $1.6 million in rental income will be generated during the 2002-2003 biennium.

22. Communication costs include both physical communications usage through couriers, mail, etc., and electronic communications, particularly video-conferencing and data transfer and their associated infrastructure. These costs, projected for the 2002-2003 biennium at $2.10 million, are $1.5 million or 41.8 per cent less than the amount approved in decision 2001/14 and $0.05 million or 2 per cent more than the approved estimates decision 2002/21. As a result of the 2002 budget reduction, a concerted effort has been made to economize and limit the usage of communication facilities to activities most directly related to core delivery and delivery support.

23. Miscellaneous services are estimated at $0.79 million compared to $1.0 million and $0.75 estimates approved in decisions 2001/14 and 2002/21, respectively.

24. The revised 2002-2003 biennium estimate for computer systems equipment of $0.38 million is significantly below (77 per cent) the $1.65 million estimate approved in decision 2001/14 and $0.92 million approved in decision 2002/21.

Reimbursements to UNDP, United Nations Secretariat and other United Nations organizations

25. The revised 2002-2003 estimates for payments to UNDP country offices and other United Nations organizations that are providing services to UNOPS in support of its project portfolio implementation amount to $4.05 million. This estimate is based on actual payments in 2002 of $2.2 million and 2003 estimates of $1.8 million. UNDP has proposed a new methodology for the reimbursement by UNOPS (and other United Nations organizations) of payments to UNDP country offices, which in principle UNOPS considers a major improvement over the previously utilized practice. This proposed new methodology is expected to be further modified in 2004 as a result of the changes in business processes resulting from the introduction of ERP.

26. The estimated 2002-2003 biennium payments to UNDP for central support services amounts to $2.80 million while payments to the UNDP Office for Audit and Performance Review (OAPR) that has a dedicated unit providing UNOPS with internal audit services is projected at $1.54 million. This compares with the estimated costs of $3.4 million for UNDP central support services in document DP/2001/28 and $2.0 million for UNDP/OAPR and the $2.80 million and $1.59 million estimated in document DP/2002/33, respectively. Since 2002, UNOPS

has taken over a number of services, particularly in the area of human resources, previously provided by UNDP, with a concomitant decrease in central service payments.

27. The revised estimate for payment to the United Nations Secretariat for services related to payroll, pension funds, security, etc., is $2.2 million, which is above the level of $2.0 million approved in decision 2001/14 and slightly lower than the estimated amount of $2.4 million in decision 2002/21.

28. The revised 2002-2003 estimates include Executive Board authorized expenditures chargeable to the operational reserves of $1.4 million in staff separation costs, a $0.6 million provision for a doubtful receivable and one-time hardware acquisition costs related to the introduction of ERP. Only the separation costs, initially estimated at $2.0 million, were foreseen and approved in the submission of the revised biennium budget estimates of September 2002 (DP/2002/33).

29. The 2003 administrative expenditures include unavoidable cost increases resulting from the General Assembly resolution 57/285 approving overall salary increases as well as the additional costs associated with the effects of the depreciation of the United States dollar and the costs of the ERP system. Since 2003 delivery and income were conservatively projected, it was a challenge to balance total income and expenditures. It was against this background that a decision was taken during the 2003 budget formulation process to withhold from approval, at this stage, 5 per cent from the temporary assistance budget and 10 per cent from the remaining non-mandatory, non-staff budget items. These 'withheld budgets' will be approved by UNOPS management if actual income exceeds the projected estimate and the 2003 drawdown of the operational reserve is replenished.

II. Projections of income and estimated expenditures for the biennium 2004-2005

30. Some of the objectives that would be pursued in the formulation of the biennium 2004-2005 budget estimates include: consolidation of the positive turnaround achieved in 2002, continued adherence to the UNOPS self-financing principle, and laying a sound foundation for a sustainable future UNOPS with gradual replenishment and build up of the operational reserve. However, it is also important to take account of the recent UNOPS business environment, which unlike its initial years has increasingly become volatile and less predictable, and the imminent appointment of the new Executive Director of UNOPS.

31. To sustain the previous year turn around resulting from the success of the end 2002 business performance, UNOPS needs to maintain a critical minimum level of annual project delivery of about $500 million, which is comparable to what was achieved in 2002 and likely to be realized in 2003. However, a review of the UNOPS portfolio for 2004 and beyond reveals that it does not have the required budgets that would enable it to sustain the level of operation needed to generate income to cover its present level of administrative costs. While UNDP remains UNOPS' main client for the project portfolio, total UNDP portfolio consisting of core, non-core and management services agreements has been consistently

declining. As reported in document DP/2002/19, the UNOPS total portfolio derived from UNDP amounted to $1.5 billion in 1997, which has consistently declined over the years ending in 2002 at $0.9 billion – a decline of $0.6 billion or almost 40 per cent over six years.

32. At the same time, UNOPS has made major efforts and succeeded in building up its project portfolio coming from other United Nations organizations. This portfolio increased from a low of $35 million in 1997 to $443.0 million in 2002. However, despite this notable increase, it is far from being able to compensate for the significant decline in the UNDP portfolio. This change – coupled with the increasingly shorter duration of its business acquisition and reductions in delivery budgets owing to political and economic upheavals experienced in many of the countries where UNOPS has major operations – has made forecasting beyond a one-year horizon extremely difficult. It was in recognition of this realty that UNOPS in 2002 changed its business planning and forecasting cycle from a two-year to a one-year cycle.

33. The 2004-2005 budget will also be influenced by the outcome of the ongoing Executive Board commissioned independent review of UNOPS, which is formulating a forward-looking strategy for its long-term growth and sustainability. The review, expected to be finalized by the end of July 2003, will examine, among others, the UNOPS business model and financial management, the present and potential markets for its services, and its business acquisition and market development. It plans to make action-oriented proposals that are likely to lead to changes in the organizational and financial structure of UNOPS.

34. At the same time, the newly appointed Executive Director of UNOPS is expected to articulate his vision for the future of UNOPS and develop a strategy to achieve it. As a result of all the above factors, it appears necessary to defer the detailed formulation of the biennium budget 2004-2005 to the new Executive Director. In the meantime, while committed to ensuring that its administrative costs will be fully covered by income received, the 2002-2003 budget estimates are maintained and carried forward as the estimates for the biennium 2004-2005 budget.

III. Review of the level of the operational reserve

35. The revised biennium 2002-2003 level of the UNOPS operational reserve, which had stood at only $5.0 million at the end of the 2000-2001 biennium but was projected in September 2001 in decision 2001/14 to increase to $15.1 million, was revised downwards to $4.1 million in document DP/2002/33 submitted to the Executive Board at its second regular session 2002. The biennium estimate is now revised to $3.2 million as result of the actual $4.2 million operational reserve at the end of end 2002 carried forward and the estimated $3.2 million reserve to be carried forward at the end of 2003. The three different expenditures that have been charged to the operational reserve in 2002 are explained in paragraph 21. Based on current projections, the end 2004-2005 operational reserve is estimated to be $4.2 million, equivalent to the level at the end of 2002.

Table 1. Projections of project expenditures and income for the biennium 2004-2005 with comparative figures for the biennium 2002-2003

(in millions of United States dollars)

	Original projected 2002 - 2003	Revised projection 2002 - 2003	Actual 2002	Revised 2003 estimate	Revised 2002 - 2003	Projected 2004 - 2005
Delivery						
Total delivery	**1 264.0**	**1 016.2**	**485.1**	**484.4**	**969.5**	**970.0**
Income						
Income from implementation of project portfolio	97.3	71.8	35.4	35.3	70.7	70.0
Income from 'services only'	16.0	14.7	6.9	8.2	15.1	16.0
Other income	2.8	2.5	1.4	1.0	2.4	2.0
Total income	**116.1**	**89.0**	**43.7**	**44.5**	**88.2**	**88.0**
Expenditures						
Recurring administrative expenditures	113.0	87.9	43.5	44.5	88.0	87.0
Non-recurring administrative expenditures					0.0	
Separation			1.1	0.3	1.4	
Provision for doubtful account			0.6		0.6	
Partial ERP system investment cost				0.7	0.7	
Total expenditures	**113.0**	**87.9**	**45.2**	**45.5**	**90.7**	**87.0**
Movements on the operational reserve						
Operational reserve brought forward	12.0	5.0	5.0	4.2	5.0	3.2
Direct charge to operational reserve		(2.0)	(1.7)	(1.0)	(2.7)	
Transfer to operational reserve (savings from liquidation of prior year unliquidated obligations)			0.7		0.7	
Transfer from/ to operational reserve	3.1	1.1	0.2		0.2	1.0
Operational reserve carried forward	**15.1**	**4.1**	**4.2**	**3.2**	**3.2**	**4.2**

Table 2. Revised budget estimates for the biennium 2002-2003 and budget estimates for 2004-2005

(in thousands of United States dollars)

	Object of expenditure	Original [1] approved 2002-2003	Approved [2] estimated expenditure 2002-2003	Total Actual expenditure 2002	Estimated [3] expenditure 2003	Revised estimated expenditure 2002-2003	Estimated expenditure 2004-2005
A10/H10/H12	Salaries	36 842	30 931	15 646	16 580	32 226	33 300
A12/H14-61	Common staff costs	17 591	16 689	7 937	8 290	16 227	15 580
B10	Temporary assistance	4 015	2 153	1 543	1 230	2 773	2 700
B12	Activities of limited duration (ALD)	9 027	5 228	2 987	1 685	4 672	4 500
B10	Overtime	336	91	38	16	54	50
B12	Consultants	5 463	3 022	1 447	1 875	3 322	3 300
B14	Training	778	202	132	243	375	400
B18	Staff travel	4 333	2 097	1 163	1 290	2 453	2 500
B16	Contracts	2 174	1 418	548	489	1 037	1 000
B16	System development contracts	890		0	212	212	200
B20	Printing and publications	127	38	12	41	53	50
B22	Rental and maintenance-premises	9 270	9 246	4 616	4 742	9 358	9 925
B26	Rental and maintenance of equipment	786	358	128	122	250	250
B28	Communications – usage	3 617	2 058	807	830	1 637	1 700
B30	Mainframe hardware	170	1	-		-	
B32	Miscellaneous services	1001	748	328	458	786	780
B34	Maintenance of PC hardware	265	466	129	256	385	385
B36	Communication – infrastructure	-		163	304	467	480
B40	Office supplies	687	402	246	247	493	500
B42	Furniture and equipment	469	86	92	94	186	180
B44	Computer systems equipment	1645	916	163	212	375	200
C10	Hospitality	50	8	4	10	14	20
	Subtotal	99 536	76 158	38 129	39 226	77 355	78 000
B50	Services provided by UNDP country offices and other United Nations organizations	5 932	4 916	2 245	1 810	4 055	3 000
B50	Reimbursement to						
	- Services provided by UNDP/OAPR	2 000	1 586	695	840	1 535	1 800
	- UNDP central support services	3 448	2 796	1 398	1 400	2 798	2 700
	- United Nations central services	2 000	2 412	1 036	1 201	2 237	1 500
	Subtotal	13 380	11 710	5 374	5 251	10 625	9 000
	Total administrative expenditure	**112 916**	**87 868**	**43 503**	**44 477**	**87 980**	**87 000**
	Separation costs	-	-	1 116	300	1 416	-
	Provision for doubtful account	-	-	557		557	-
	Partial ERP system investment cost	-	-		700	700	-
	Subtotal	0	0	1 673	1 000	2 673	0
	Grand total	**112 916**	**87 868**	**45 176**	**45 477**	**90 653**	**87 000**

[1] DP/2001/28;
[2] DP/2002/33;
[3] DP/2003/18;

Table 3. UNOPS current staffing table

Category/Post level	Established posts[a] (core + project) as of June 2002			Posts abolished[c]		Additional posts[b] (from 1 June 2002 until 31 May 2003)		Posts reclassified[b] (from 1 June 2002 until 31 May 2003)		Grand total (as of 1 June 2003) [g]			Posts filled by 100/200/300 series staff [g] (as of 1 June 2003)	Vacant posts[d]
International	Admin	Project	Total	Admin	Project	Admin	Project	Admin	Project	Admin	Project	TOTAL		
ASG	1		1							1		1	1	
D-2	1		1							1		1	1	
D-1/L-6	16	2	18	(3)	(1)				(1)[f]	13	0	13	8	5
P-5/L-5	47	4	51	(8)	(2)				1[f]	39	3	42	38	4
P-4/L-4	43	1	44	(7)	(1)					36	0	36	35	1
P-3/L-3	25	0	25	(1)						24	0	24	22	2
P-2/L-2	6	3	9	(3)		2				5	3	8	8	0
Subtotal	139	10	149	(22)	(4)	2			0	119	6	125	113	12
Locally recruited Principal level (G7/G6)	70.5	6	76.5	(9)			1			61.5	7	68.5	65	3.5
Other Level	124	15	139	(23)			2			101	17	118	108	10
Subtotal	194.5	21	215.5	(32)			3			162.5	24	186.5	173	13.5
Total	333.5	31	364.5	(54)	(4)	2	3		0	281.5	30	311.5	286	25.5

[a] Executive Board decision 2002/21 of 27 September 2002.

[b] Since Executive Board decision 2002/21.

[c] Posts strictly relating to specific projects.

[d] Posts that are indicated as vacant include frozen posts due to budgetary reasons and functions covered by non-staff employment (e.g., temporary assistance) as well as posts under recruitment.

[e] This figure also includes posts abolished resulting from the UNOPS budgetary reduction exercise effective 1 July 2002.

[f] One L6 post was reclassified to L5 level, and this explains the addition of one in the P5/L5 column and the reduction of one in the D1/L6 column.

[g] 2.2 account includes two P5s, one P4, one P3/G7, two G6s and three G5s which have no financial implication on the UNOPS admin budget.

Table 4. Project delivery by source of funds, 2001-2002

(in millions of United States dollars)

Source of funds	2001	2002
UNDP general resources	161.2	127.7
Percentage of total	31.9	26.3
UNDP trust funds	108.5	98.4
Percentage of total	21.5	20.3
Funds through UNDP (MSAs)		
Development banks	9.8	17.4
Percentage of total	1.9	3.6
Unilateral and bilateral grants		
Government	4.8	
Japan	80.9	84.3
Others	30.5	33.4
Subtotal	116.2	121.1
Percentage of total	23.0	25.0
Total through UNDP	**395.7**	**364.6**
Percentage of total	78.4	75.2
United Nations organizations		
UNODCCP	9.3	6.5
DPKO	7.9	10.4
UNOHCHR	14.9	16.1
OIP	34.0	50.8
Other United Nations organizations [a]	42.9	36.7
Subtotal	**109.0**	**120.5**
Percentage of total	21.6	24.8
Total	**504.7**	**485.1**
Percentage of total	100.0	100.0

[a] Includes DPA, IDNDR, ILO, OCHA, UNHCR, UNRISD, WFP, IFAD.

Table 5. Project delivery by component, 2001-2002

(thousands of United States dollars)

Source of funds	Personnel		Subcontracts		Training		Equipment		Miscellaneous		Grand total	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
UNDP funded projects	60 103	46 500	55 658	38 619	9 359	9 003	9 375	8 678	4 605	3 610	139 100	106 410
UNOPS as cooperating/Associated agency												
UNOPS as cooperating agency - UNDP fund	9 697	8 258	9 087	9 243	1 195	721	2 025	2 943	130	125	22 134	21 290
UNOPS as cooperating agency - Trust fund	2 751	1 629	2 910	5 211	257	161	1 028	227	8	1	6 954	7 229
Total UNOPS as cooperating agency	**12 448**	**9 887**	**11 997**	**14 454**	**1 452**	**882**	**3 053**	**3 170**	**138**	**126**	**29 088**	**28 519**
Projects for other United Nations organizations												
DPKO	3 477	5 694	4 966	6 573	9	(5)	7 545	3 269	189	242	16 186	15 773
UNHCHR	11 899	13 147	955	1 121	432	802	1 259	485	372	544	14 917	16 099
OIP	5 630	8 329	21 943	32 909	-	24	6 238	9 064	223	467	34 034	50 793
Other United Nations organizations	7 927	13 300	5 517	9 359	1 123	1 234	18 534	5 558	402	801	33 503	30 252
Total projects for other United Nations organizations	**28 933**	**40 470**	**33 381**	**49 962**	**1 564**	**2 055**	**33 576**	**18 376**	**1 186**	**2 054**	**98 640**	**112 917**
UNODCCP	4 262	3 252	817	675	274	394	2 533	1 845	634	328	8 520	6 494
Trust fund projects												
Montreal Protocol	2 284	2 086	2 398	2 601	237	105	20 915	11 780	649	171	26 483	16 743
Global Environment Facility	7 973	9 595	21 136	18 767	1 839	2 461	4 955	2 657	973	802	36 876	34 282
UNCDF	1 284	649	4 819	3 589	47	1	320	52	252	(27)	6 722	4 264
Other trust funds	13 778	13 939	11 273	15 134	4 179	3 994	1 675	2 572	974	966	31 879	36 605
Total trust fund projects	**25 319**	**26 269**	**39 626**	**40 091**	**6 302**	**6 561**	**27 865**	**17 061**	**2 848**	**1 912**	**101 960**	**91 894**
Management service agreements												
Japan	181	489	15 487	11 975	120	116	65 114	71 742	14	0	80 916	84 322
World Bank agreements	3 884	1 364	869	2 825	994	1 089	315	1 857	119	104	6 181	7 239
Inter-American Development Bank	688	79	(79)	(67)	69	-	92	1 298	46	4	816	1 314
Other MSAs	7 505	10 671	14 621	25 599	931	1 315	15 270	7 573	1 212	902	39 539	46 060
Total MSAs	12 258	12 603	30 898	40 332	2 114	2 520	80 791	82 470	1 391	1 010	127 452	138 935
Grand total	**143 323**	**138 981**	**172 377**	**184 133**	**21 065**	**21 415**	**157 193**	**131 680**	**10 882**	**9 040**	**504 760**	**485 169**

Table 6. Project delivery by region, 2001-2002

(in millions of United States dollars)

Region	2001 Number of projects	2001 Delivery	2002 Number of projects	2002 Delivery
Interregional and global	299	54.6	244	62.4
Africa	645	114.8	604	123.1
Arab States	217	61.2	202	74.3
Asia and the Pacific	539	107.9	549	91.9
Europe and the Commonwealth of Independent States	210	68.6	190	67.7
Latin America and the Caribbean	477	97.6	460	65.7
Total	2 387	504.7	2 249	485.1

Table 7. Project personnel employed, 2001-2002

Type of contract	2001	2002
International consultants	1 733	1 556
Percentage from developing countries	47	48.1
International consultants	722	567
Percentage from developing countries	44	39.1
National professionals	3 693	4 695
Percentage from developing countries	100	100
Total	**6 148**	**6 818**
Percentage from developing countries	**79**	**78**

Table 8. Trainees and fellows by nationality, 2001-2002

Country of nationality	2001 Total	Male	Female	2002 Total	Male	Female
Albania	2	2	0			
Algeria	8	5	3	7	5	2
Angola	1	0	1	18	7	11
Argentina	2	2	0	5	5	0
Armenia	2	2	0	0	0	0
Australia	8	8	0	0	0	0
Austria	8	8	0	0	0	0
Azerbaijan	2	2	0	4	4	0
Bahrain	1	1	0	1	1	0
Bangladesh	10	5	5	9	9	0
Belgium	1	0	1	1	1	0
Belize	6	4	2	7	5	2
Benin	7	7	0	19	18	1
Botswana	5	1	4	10	8	2
Burkina Faso	31	23	8	13	10	3
Burundi	19	15	4	0	0	0
Cameroon	10	8	2	13	10	3
Canada	4	4	0	5	4	1
Central African Republic	8	7	1	8	6	2
Cape Verde	8	6	2	11	7	4
Chad	14	10	4	10	8	2
Congo	3	1	2	6	4	2
Comoros	1	0	1	6	4	2
China	4	4	0	42	37	5
Croatia	2	1	1	0	0	0
Congo, Democratic Republic of	55	36	19	309	208	101
Denmark	1	0	1	0	0	0
Djibouti	5	5	0	6	6	0
Egypt	12	12	0	14	12	2
Eritrea	22	17	5	14	9	5
Ethiopia	9	5	4	3	2	1
Fiji	1	0	1	6	3	3
Finland	0	0	0	1	1	0
France	1	0	1	8	6	2

Country of nationality	2001 Total	Male	Female	2002 Total	Male	Female
Gabon	4	3	1	8	7	1
Gambia	14	10	4	5	1	4
Georgia	2	1	1	4	4	0
Germany	3	3	0	0	0	0
Ghana	26	18	8	9	8	1
Guinea-Bissau	6	5	1	9	8	1
Hong Kong	1	1	0	0	0	0
India	1	1	0	9	9	0
Indonesia	1	1	0	14	13	1
Iran (Islamic Republic of)	0	0	0	3	3	0
Iraq	0	0	0	3	3	0
Italy	0	0	0	3	3	0
Jamaica	0	0	0	3	3	0
Japan	0	0	0	2	2	0
Jordan	0	0	0	13	9	4
Kazakhstan	0	0	0	14	9	5
Kenya	0	0	0	6	4	2
Kiribati	3	0	3	3	2	1
Korea, Republic of	12	11	0	20	20	0
Kuwait	0	0	0	1	1	0
Kyrgyzstan	0	0	0	9	5	4
Lebanon	10	10	0	4	2	2
Lesotho	4	1	3	14	9	5
Libyan Arab Jamahiriya	9	8	1	9	7	2
Liberia	10	6	4	2	1	1
Lithuania	0	0	0	1	0	1
Madagascar	821	556	265	19	12	7
Malaysia	9	9	0	2	2	0
Malawi	11	8	3	21	16	5
Mali	20	17	3	7	6	1
Malta	0	0	0	2	2	0
Mauritania	11	11	0	11	10	1
Mauritius	5	5	0	4	4	0
Marshall Islands	0	0	0	4	4	0
Mexico	1	1	0	5	5	0

Country of nationality	2001 Total	Male	Female	2002 Total	Male	Female
Mongolia	56	44	12	40	27	13
Morocco	12	11	1	15	12	3
Mozambique	4	3	1	35	19	16
Namibia	52	30	22	29	19	10
Nepal	1	1	0	5	5	0
Netherlands	1	0	1	1	0	1
New Zealand	1	1	0	0	0	0
Nicaragua	0	0	0	3	2	1
Niger	16	11	5	10	8	2
Nigeria	135	79	56	11	9	2
Norway	2	2	0	0	0	0
Pakistan	6	6	0	1	1	0
Palau, Republic of	7	6	1	0	0	0
Papua New Guinea	0	0	0	5	5	0
Peru	1	0	1	0	0	0
Philippines	3	0	3	12	8	4
Poland	1	1	0	0	0	0
Romania	0	0	0	1	1	0
Russian Federation	10	4	6	118	73	45
Rwanda	4	2	2	6	4	2
Saudi Arabia	1	1	0	3	3	0
Senegal	108	68	40	22	19	3
Sierra Leone	5	2	3	1	1	0
Sao Tome	1	1	0	2	2	0
Slovenia	2	2	0	0	0	0
Slovakia	0	0	0	3	1	2
South Africa	1 855	1 139	716	240	142	98
Sri Lanka	8	5	3	9	7	2
Sudan	9	6	3	3	2	1
Suriname	0	0	0	2	1	1
Swaziland	0	0	0	12	11	0
Sweden	0	0	0	3	2	1
Switzerland	0	0	0	2	2	0
Syrian Republic	0	0	0	6	5	1
Tajikistan	0	0	0	8	5	3
Tanzania, United Republic of	25	17	8	0	0	0

Country of nationality	2001 Total	Male	Female	2002 Total	Male	Female
Thailand	0	0	0	3	2	1
Timor-Leste	0	0	0	2	2	0
Togo	0	0	0	4	4	0
Trinidad and Tobago	0	0	0	4	3	1
Tunisia	0	0	0	7	5	2
Turkey	0	0	0	3	2	1
Turkmenistan	0	0	0	2	2	0
Tuvalu	0	0	0	5	5	0
Uganda	9	5	4	6	5	1
United Kingdom	0	0	0	9	6	3
United States of America	12	9	3	32	24	8
Uruguay	1	1	0	1	1	0
Uzbekistan	2	0	2	6	5	1
Viet Nam	81	62	19	19	14	5
Yemen	6	6	0	7	6	1
Zambia	6	3	3	15	12	3
Zimbabwe	8	6	2	19	9	10
Other	198	140	58	157	90	67
Total	**3 746**	**2 439**	**1 307**	**2 440**	**1 746**	**694**

Table 9. Value of major contracts for goods, services and works signed by country of contractor 2000-2001

(thousands of United States dollars)

Country	2001		2002	
	Value	Percentage of international procurement	Value	Percentage of international procurement
Developed countries:				
Australia	1 281	0.9	2 326	1.6
Austria	1 755	1.2	2 349	1.6
Belgium	3 062	2.1	5 495	3.7
Canada	5 996	4.1	1 137	0.8
Finland	322	0.2	306	0.2
France	3 393	2.3	9 741	6.6
Germany	5 423	3.7	4 181	2.8
Ireland	416	0.3	3	0.0
Italy	7 880	5.4	10 427	7.0
Japan	13 809	9.4	9 859	6.6
New Zealand	84	0.1	0	0.0
Spain	433	0.3	412	0.3
Switzerland	3 242	2.2	6 532	4.4
United Kingdom	17 233	11.70	11 009	7.4
United States	35 399	24.10	29 351	19.8
Other	1 024	0.7	6 105	4.1
Subtotal	**100 752**	**68.7**	**99 240**	**66.8**
Underutilized major donor countries:				
Denmark	6 292	4.3	5 207	3.5
Netherlands	7 299	5	2 579	1.7
Norway	656	0.4	1 750	1.2
Sweden	345	0.2	2 310	1.6
Subtotal	**14 592**	**9.9**	**11 847**	**8.0**
Total developed countries	**115 344**	**78.6**	**111 087**	**74.8**
Developing countries:				
Argentina	2 045	1.4	822	0.6
Cambodia	-	0	720	0.5
Cote d'Ivoire	279	0.2	91	0.1
Ethiopia	46	0	1 000	0.7
Peru	2 099	1.4	613	0.4
South Africa	4 421	3	3 031	2.0
Turkey	-	0	1 563	1.1
Other	22 485	15.3	29 613	19.9
Total developing countries	**31 375**	**21.4**	**37 456**	**25.2**
TOTAL	**146 719**	**100**	**148 544**	**100.0**

Notes: Does not include procurement undertaken locally pertaining to decentralized operations. The procurement of services, goods and work from developing countries is therefore significantly understated in the above table.

Abbreviations

DPA	Department of Political Affairs of the United Nations Secretariat
DPKO	Department for Peace-keeping Operations of the United Nations Secretariat
IDNDR	International Decade for Natural Disasters Reduction
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
MSA	Management services agreement
OCHA	Office for the Coordination of Humanitarian Affairs of the United Nations Secretariat
OIP	Office of the Iraq Programme of the United Nations Secretariat
UNCCS	United Nations Common Coding System
UNODC	United Nations Office on Drugs and Crime
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNHCHR	Office of the United Nations High Commissioner for Human Rights
UNFPA	United Nations Population Fund
UNMIK	United Nations Mission in Kosovo
UNOPS	United Nations Office for Project Services
UNRISD	United Nations Research Institute for Social Development
WFP	World Food Programme